

# **PRESS RELEASE**

**Vermont Public Service Board • 112 State Street, Drawer 20 • Montpelier, VT 05620-2701**

FOR IMMEDIATE RELEASE

## **VERMONT PUBLIC SERVICE BOARD APPROVES SALE OF CERTAIN ASSETS OF CITIZENS ENERGY SERVICES TO VERMONT ELECTRIC COOPERATIVE, INC.**

Montpelier, Vermont — March 4, 2004

The Vermont Public Service Board this week approved the sale of substantially all of the assets of the Vermont Electric Division of Citizens Communications Company (d/b/a Citizens Energy Services) to the Vermont Electric Cooperative, Inc. This sale will terminate all of Citizens' retail operations in Vermont, and will create a new larger, and more consolidated, service territory for the Cooperative.

The Board's approval of the transaction recognized the Cooperative's success in emerging from bankruptcy and becoming a financially-sound provider of utility services. Roughly a decade ago, the Cooperative was moving into a bankruptcy as a result of a reckless pattern of imprudently investing more than \$100 million in nuclear power projects that failed. Since then, the Cooperative has changed its Board of Directors, its management, and its policies. The Cooperative's current management has carefully designed this expansion of its service territory to stabilize rates and to improve service quality for the current customers of both Citizens and the Cooperative.

In particular, the Cooperative's management has promised to reduce its current members' rates to the level of the current Citizens' rates within 18 months. In addition, the Cooperative has agreed to a five-year rate freeze. If these rate goals are not met, the Cooperative has agreed to impose specific reductions in executive compensation for its Chief Executive Officer and for its Board of Trustees.

This sale also terminates the need to further address the Board's long-standing concerns about Citizens' failure to follow prudent regulatory and accounting practices. The Board previously found that Citizens was engaged in widespread and pervasive patterns of fraud and deceit on matters within and beyond the Board's jurisdiction. As a result, the Board placed Citizens on regulatory probation, appointed a Special Master to assist the Board with reviewing Citizens' compliance with probation terms, and refused to allow recovery of imprudently incurred costs. As part of this sale transaction, Citizens has agreed to pay nearly \$1 million — \$720,000 in refunds to its Vermont ratepayers and \$250,000 in penalties to Vermont's General Fund. In this week's Order, the Board determined that these payments are adequate to resolve any remaining issues associated with Citizens' probation.

Finally, the Board noted that this sale illustrated how years of strong, assertive, and effective public advocacy by the Department of Public Service, and the institutional strength of Vermont's utility regulatory system, have made vast improvements possible for tens of thousands of Vermonters.

For more information contact: Susan M. Hudson, Clerk of the Board  
(802) 828-2358